

Message Text

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TO AMEMBASSY COLOMBO

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E.O. 11652: N/A

TAGS: ETRD, CE

SUBJECT: GSL EXPORT MARKETING SEMINAR

REF: COLOMBO 4133

1. AS EMBASSY KNOWS, INFORMATION AVAILABLE TO DEPT. ON QUESTIONS GIVEN IN REFTEL IS RATHER LIMITED, SO WE THEREFORE HAVE RELIED ON EXPERT ASSISTANCE OF MR. A.S. NADARAJA, FIRST SECRETARY (COMMERCIAL) OF SRI LANKA EMBASSY. MR. NADARAJA HAS PROVIDED FOLLOWING INFORMATION FOR USE IN YOUR SPEECH TO LOCAL EXPORTERS. WHILE MR. NADARAJA ASKS THAT INFORMATION ON U.S. BUSINESSMEN'S CRITICISM OF SRI LANKA PRODUCTS AND PRACTICES NOT BE ATTRIBUTED TO HIM, WE HOPE YOU WILL PUT IN A PLUG FOR THE KNOWLEDGE AND ASSISTANCE HE AND HIS COLLEAGUES OVERSEAS CAN OFFER TO SRI LANKAN EXPORTERS.

2. EXPORT ANALYSIS:
SRI LANKAN EXPORTS TO U.S. IN 1976 WERE 40 MILLION DOLLARS.
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U.S. IS ONE OF FEW COUNTRIES WITH WHICH SRI LANKA HAS FAVORABLE BALANCE OF TRADE. BY VALUE, TEA CONSTITUTES 60 PERCENT OF SRI LANKAN EXPORTS TO U.S.; RUBBER, 14 PERCENT; CINNAMON, 4 PERCENT; GRAPHITE, 3 PERCENT; PRECIOUS AND SEMI-

PRECIOUS STONES, 2 PERCENT; COCONUTS AND CHARCOAL, 1 PERCENT. SRI LANKA IS PRIMARY SUPPLIER OF TEA TO U.S.

MARKET, WITH 27 PERCENT MARKET SHARE; HOWEVER, SRI LANKA HAS BEEN LOSING MARKET SHARE DURING LAST FEW YEARS TO INDONESIA AND EAST AFRICAN NATIONS, AS WELL AS INDIA; U.S. BUYERS COMPLAIN OF QUALITY AND SERVICE FROM SRI LANKA TEA EXPORTERS (PERHAPS A REFLECTION OF PREVIOUS GSL PLANTATION REFORM). MALAYSIA IS LARGEST SUPPLIER OF RUBBER TO U.S. MARKET, BUT SRI LANKA SHOULD BE ABLE TO INCREASE SHARE IF EFFORT IS MADE.

3. PRODUCTS WITH EXPORT POTENTIAL:

SRI LANKA PRODUCES A NUMBER OF PRODUCTS WHICH HAVE GOOD EXPORT POTENTIAL IN U.S. FOR EXAMPLE, SRI LANKA SUPPLIES LESS THAN ONE PERCENT OF U.S. GRAPHITE MARKET. FOR PAPAIN, USED IN MEAT TENDERIZERS, SRI LANKA SOLD US ONLY 3,000 LBS. OUT OF TOTAL IMPORTS OF TWO MILLION LBS.

U.S. MARKET FOR RAW SPICES IN 1976 WAS 107 MILLION DOLLARS, BUT SRI LANKA EXPORTED ONLY 100,000 DOLLARS WORTH OF SPICES. LESS THAN ONE PERCENT OF U.S. IMPORTS OF PRECIOUS AND SEMI-PRECIOUS STONES CAME FROM SRI LANKA. U.S. IMPORTED 350 MILLION DOLLARS OF MARINE PRODUCTS, BUT SRI LANKA, WHICH HAS SHRIMP AND LOBSTERS IN ABUNDANCE, SOLD US ONLY 350,000 DOLLARS WORTH. U.S. IMPORTED WHOPPING ONE BILLION DOLLARS OF FOOTWEAR IN 1976, BUT ONLY 50,000 DOLLARS WORTH WAS FROM SRI LANKA. OTHER PRODUCTS WHICH U.S. IMPORTS IN LARGE QUANTITIES AND WHICH SRI LANKA SHOULD BE ABLE TO SUPPLY ARE MICA, COCONUT OIL, DESSICATED COCONUT, CINNAMON, AND SEA UNCLASSIFIED

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4. PROBLEMS WITH SRI LANKAN EXPORTS:

U.S. IS HUGE MARKET, AND SRI LANKA EXPORTERS OFTEN ARE NOT ABLE TO MEET QUANTITY REQUIREMENTS OF U.S. BUYERS. EXAMPLE WAS GIVEN OF U.S. RETAIL CHAIN WHICH WANTED TO PLACE AN ORDER FOR THREE MILLION BOTTLES OF PASSION FRUIT JUICE; THIS WAS EQUAL TO THREE YEARS PRODUCTION IN SRI LANKA. IN ADDITION TO INABILITY TO SUPPLY U.S. IN SUFFICIENT QUANTITIES, U.S. BUSINESSMEN COMPLAIN ABOUT PRODUCT QUALITY, DELIVERY SCHEDULES NOT BEING MET, GOODS ARRIVING IN DAMAGED CONDITION, AND, IN THE CASE OF HANDICRAFTS AND OTHER MANUFACTURED GOODS, LACK OF PRODUCT UNIFORMITY. EXAMPLE WAS GIVEN OF SET OF TABLE MATS, EACH OF WHICH WAS A DIFFERENT SIZE.

5. RECOMMENDATIONS:

MARKET POTENTIAL FOR MANY SRI LANKAN PRODUCTS IS HIGH, BUT SRI LANKAN EXPORTERS NEED TO BE ABLE TO DELIVER PRODUCTS IN SUFFICIENT QUANTITIES, IN TIME, AND OF UNIFORMLY HIGH

QUALITY. ESTABLISHMENT OF JOINT VENTURES AND WHOLLY-OWNED U.S. PROCESSING OPERATIONS IN NEW FREE TRADE ZONE MAY HELP OVERCOME SOME OF THESE PROBLEMS. SRI LANKAN BUSINESSMEN WISHING TO VISIT U.S. SHOULD VISIT MAJOR U.S. INDUSTRIAL AND FOOD PROCESSING CENTERS, NEW YORK AND CHICAGO; IN ADDITION, SRI LANKAN EMBASSY RECEIVES A NUMBER OF INQUIRIES FROM SAN FRANCISCO. IF SRI LANKAN EXPORTERS ARE NOT ABLE TO DELIVER PRODUCTS TO U.S. BUYERS IN SUFFICIENT QUANTITIES, THEY MAY HAVE TO UNDERTAKE DIRECT MARKETING IN U.S., SIMILAR TO ACTIONS OF INDIAN BUSINESSMEN IN MANY COUNTRIES WHO IMPORT, DISTRIBUTE, AND RETAIL THEIR OWN PRODUCTS. VANCE

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